The Less You Spin, The More You Win

Making fewer, more focused decisions with your portfolio is a vastly superior strategy when compared to ill-considered rapid fire trading in and out of stocks. In July of 1997, I wrote about the benefits of a minimalist approach in life. The moral of the story being, the less you spin, the more you win. Here's what I wrote then:

> *MONK!…*
>
> *That's it. Four letters say it all.*
>
> *Thelonious Sphere Monk died on 17 February 1982, over 15 years ago. Still today, when the name Monk comes up in Jazz circles, no explanation is needed. From his early days in the San Juan Hill West 60s section of New York to Minton's Playhouse in Harlem to Greenwich Village's Village Vanguard, Monk's unique approach to music and his eccentric approach to life have always engendered lively debate.*
>
> *The just-released Monk/Straight, No Chaser CD (Columbia/Legacy CK64886) is a definitive Monk reissue, with 25 additional minutes of new music, including three titles restored to their original unedited length by reissue producer Orrin Keepnews, Monk's long-term producer and the co-founder of Riverside Records. Included are two takes of Duke Ellington's wonderful I Didn't Know About You and, at last, the definitive and complete Straight, No Chaser. Listening to these classics as I was putting the finishing touches on the enclosed common stock Monster Master List, I was thinking how spare Monk was in the words he spoke and the notes he played. Even his name—Monk—fit the pattern.*
>
> ***Long-Term Profits Inversely Proportional to Trading Activity***

> *The same approach Monk took to life and music suits us all in the investment process. Here's what I mean. Your long-term investment success is certain to be inversely proportional to your trading activity. The less you spin, the more you will ultimately weave. Simply put, less is more.*
>
> *Warren Buffett once said, "We [Buffett and Charlie Munger] continue to make more money when snoring than when active." In Buffett's Berkshire Hathaway portfolio, valued at over $27 billion, there are only eight primary holdings. Buffett is no spinner. Each holding is there for the long haul.*

If you are looking for help with your investments, and you need guidance on a "less is more," strategy, click here to sign up for the monthly client letter from my family run investment counsel firm, Richard C. Young & Co., Ltd. The letter is free, even for non-clients, and loaded with information on the strategies we are using to protect and nurture our clients' portfolios.

Want to Double Your Money in Investing? Read This First

Over my five-decade career in investing I have placed high value on on-the-ground intelligence gathered from real people. That's why Debbie and I have spent so much time travelling in America and abroad, meeting business owners and retirees, and talking to everyone from VIPs to bus boys. Each has a story to tell and information to provide.

Along our way, Debbie and I have been to some of the world's most interesting places. In November of 1995, I wrote to readers about our trip to the Biltmore Estate. Read my account here:

The Largest Private Residence in America

Biltmore Estate, located in bucolic Asheville, N.C., is not just a national treasure, it's a terrific example of how to run a profit-making business at its highest efficiency. No government grants and subsidies here. Constructed between 1889 and 1895 by George Vanderbilt, grandson of shipping and railroad tycoon "Commodore" Cornelius Vanderbilt, Biltmore Estate, still privately owned and operated, is a stunning architectural achievement inextricably linked with The Gilded Age.

In the library, Vanderbilt's scholarly interests are evidenced by 10,000 bound volumes covering history, art, architecture, landscape gardening, and classical literature in eight languages (all in which Vanderbilt was fluent). Adorning the library is a Pellegrini canvas ceiling painting, which graced the Pisani Palace in Venice during the 18th century and is all the more important today since little of Pellegrini's work escaped destruction during World War II.

Visitors from around the world flock annually to the unmatched estate tour. Allow a complete day to see it all. You do not want to miss the Estate Winery opened in 1985. It embodies Vanderbilt's original concept of a self-supporting European estate and features the Estate's own award-winning Chardonnay.

Biltmore Estate is the linchpin of what has fast become a favored retirement area for discerning Americans seeking a vibrant, moderate weather, four-season community.

Dick Young's 10-Point Guide to High-Yielding Retirement Income

Put a trip to America's largest private residence on your *schedule. To assist you in funding your vacation or retirement shopping trip, I've assembled a strategic 10-point guide to high-yielding retirement investing (current or future). If you firmly follow this 10-point guide to maximizing income, you will greatly enhance your prospects for getaways to the great estates of the world, including an American classic like Vanderbilt's Biltmore Estate.*

When you invest for future or current retirement using conservative income-producing securities, your odds for success will improve immediately when you focus on item #1 and #2 in my 10-Point Guide to High Yielding Retirement Income.

Risk Analysis Always First

#1 It only makes good sense to recognize that when you work hard and save for a lifetime to retire in comfort, you do not want your life's savings evaporating in some speculative venture. I can't tell you how often I hear heartbreaking, first-hand stories from investors who have been virtually wiped out in some limited partnership scheme or other ill-advised sales-pitched nightmare.

In a recent book review, The Wall Street Journal commented on a big brokerage firm's disaster with limited partnerships. "(XYZ) went for the whole enchilada when it adopted a policy of defrauding its customers. The firm sold $8 billion in limited partnerships spread over 701 entities to more than 600,000 investors. Only a handful of those investments ever performed as promised. (XYZ) continued to pressure its brokers to push new deals long after it knew that many of the previously sold ones were all but worthless."

What do you think of that sorry mess? Stunning, isn't it? Thousands of investors took the pipe. And I'd bet big bucks that the vast majority did not bother to read carefully the prospectus for those deals nor ponder the element of risk *before committing hard-worked-for lifetime savings.*

Always remember, when you lose 50% (not to mention all your money) on an investment, you have to make 100% next time out just to get even. And at that, you have made a zero return on your investment over perhaps an extended period of time. The math is bad, real bad. In my three decades as a professional investor, I've found that there are surprisingly few opportunities to actually double your money on any single investment.

Counting on a double-your-money bailout is long odds at best. So first and foremost, make sure you understand the risks of any investment before you invest. Do your prospectus homework well, and ask questions—plenty of questions.

If you want to spend your retirement travelling to the world's finest places, you can't go frittering away your hard-earned savings by taking risks you don't understand. Avoiding risk and focusing on the creation of a steady stream of income you can live on during retirement is the course I recommend to all investors. It's hard to make money in investing, but it's even harder to make back what you've lost.

Do You Feel Good?

Around four years ago I was practicing French with Debbie before a trip to Paris. I wrote then:

Je Me Sens Bien

As you read this month's strategy report, Debbie and I will be in Paris. Practicing her French yesterday, Debbie asked me if

I knew the meaning of je me sens bien, with James Brown as a clue. Well, not knowing for certain, I guessed, "I feel good," a great James Brown lyric. Debbie was astounded that I got the quiz, as was I, because I really had no idea. So what gives? The answer lies in association. The rhythm of the four words simply brought the James Brown lyric to mind, literally out of the blue. These things can happen with association. It's a mindset thing that isn't always easy to explain. In recent days, given the extraordinary volatility in the financial markets, mindset and association are an especially vital concept for investors. When you are in the right place mentally, you can have no problem weathering volatility. If not, well…

Successful Investing Is a Mindset

As you know, I do not check the prices of my investments daily, weekly, or even monthly. I do an annual checkup only at tax time. When I make a significant investment, I have no intention of liquidation anytime soon. I am in for the long haul. Thus, short- or even medium-term volatility is of zero concern to me, beyond keeping an eye out for a name on my watch list that may have taken a temporary beating due to no particular fault of its own. So, then, successful investing is a mindset based upon a master plan that allows an investor to find comfort through thick or thin.

Since then, I have traveled to Paris many times, and I am in the city now, amidst the sad reaction to the burning of Notre Dame cathedral. People in Paris are not exactly feeling good. But there is hope. Much of the cathedral is still standing, and a city as old as Paris has endured tragedies of this kind before.

Revolutions, occupations, crippling riots and terrorist attacks have befallen Paris, but the city's people have a way of focusing on the long-term. Quality, durability, and timelessness describe the aesthetic that has made Paris the center of the cultural world.

The lesson of Paris's success is to focus on the long-term. Weave that principle into your investment portfolio, as well as your life in general. Avoid risk, compound your portfolio, and don't let emotion guide your actions. Steadfastly adhering to such a plan will make you feel good.

In Wine and Investing, One Must Get the Big Picture Right

There are few subjects studied by so many, but still so little understood as investing and wine. Nearly everyone you meet has an opinion on both, but start getting specific and you realize the pool of knowledge isn't deep. You don't need to be an expert in either, but it helps to get the big picture right. In February of 2011 I wrote:

> *Medieval Monks*
>
> *Terroir (teh-RWAHR). Literally "terrain" in French. David Downie in Food Wine Burgundy explains that originally terroir was used to refer to the particular qualities that soil and climate bestow on wine. The French word climat designates a micro-environment, micro-climate, and micro-terroir. Climat can embrace a few rows of vines here, another few rows there, separated by another climat. Michael Broadbent, writing in the foreword of The Great Domaines of Burgundy, tells us that compared to Bordeaux, Burgundy is far more complex: Small vineyards with similar names are in the ownership of several*

individual producers. Medieval monks had a special facility for understanding the specific soil and climat of Burgundy. It is this knowledge that eventually would introduce the world-class pinot noir (red) and chardonnay (white) wines of Burgundy to the world.

Get the Big Picture Right

After spending some time researching the terroir of Burgundy and many of Burgundy's small vineyards, I can tell you that the subject matter is as complex as any I have endeavored to understand. Grapes planted in the most suitable soil under just the right weather conditions produce the classic French white Burgundy found, by example, in Puligny-Montrachet. Successful wine making is a top-down affair. Get the big picture right, and good things can happen.

Diversification & Dividends

It occurred to me on a number of occasions that, just as terroir dominates the study of Burgundy, the same terroir concept dominates my thinking on the stock market. In the proper monetary, economic, and political environment, most quality stocks will offer suitable returns, some, of course, better than others. A well-diversified group of dividend payers is certain to do just fine, as long as the financial terroir is hospitable. Many decades ago in Young's World Money Forecast, I concentrated only on terroir and did not write about individual securities at all. My target was the big picture, period. I felt that if I could get the big picture right for my clients and subscribers, they could deal with individual securities selection. I still devote the bulk of my time as it relates to the financial markets to the big picture. Get the big picture wrong, and your securities portfolio is likely to suffer mightily. Get the big picture right with the view that you will stick with dividend and

> *interest-paying, blue-chip securities, and you most certainly will do well. A rising tide tends to lift all ships.*
>
> *It is with this thinking that I manage my own personal affairs and formulate the global investment strategy for our family investment company.*

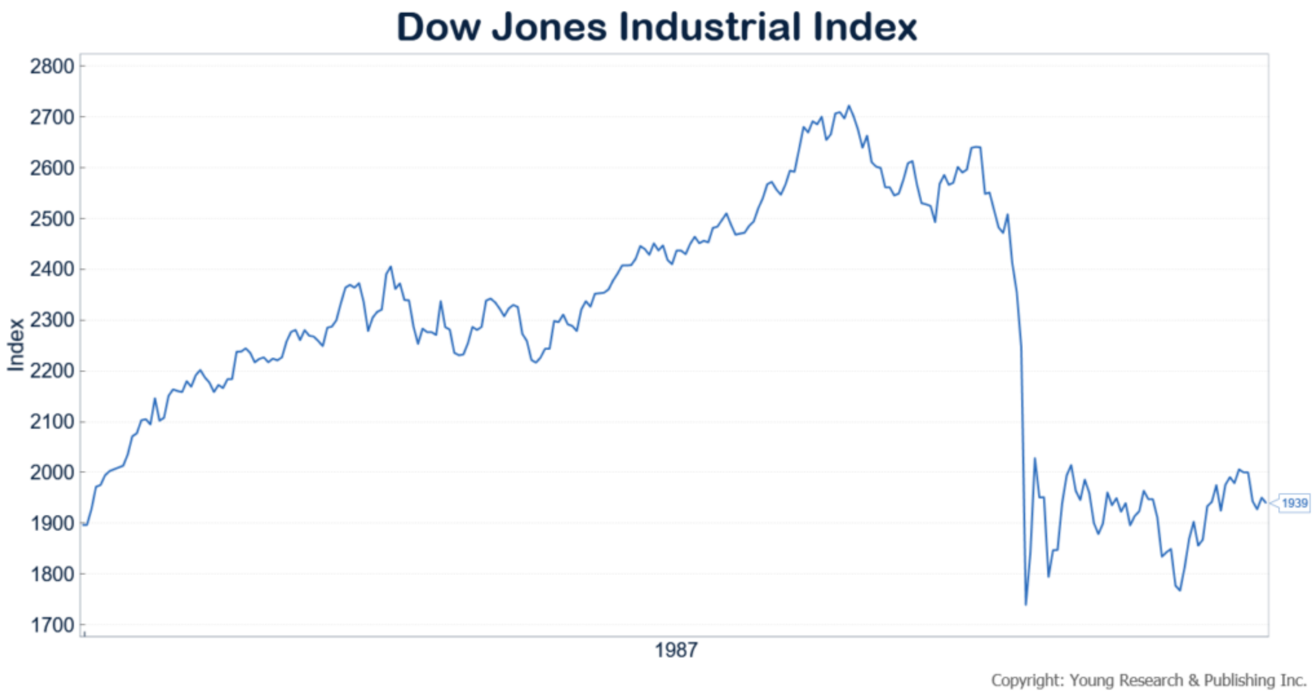
If you are struggling to get the big picture, it may be time to seek assistance. My family run investment counsel firm, Richard C. Young & Co., Ltd. is dedicated to assisting conservative retired, and soon to be retired, investors and their families in developing a plan for the long-term. If you would like to talk to a seasoned investment professional about your portfolio, please fill out the form below. You will then receive a call for a consultation with absolutely no obligation.

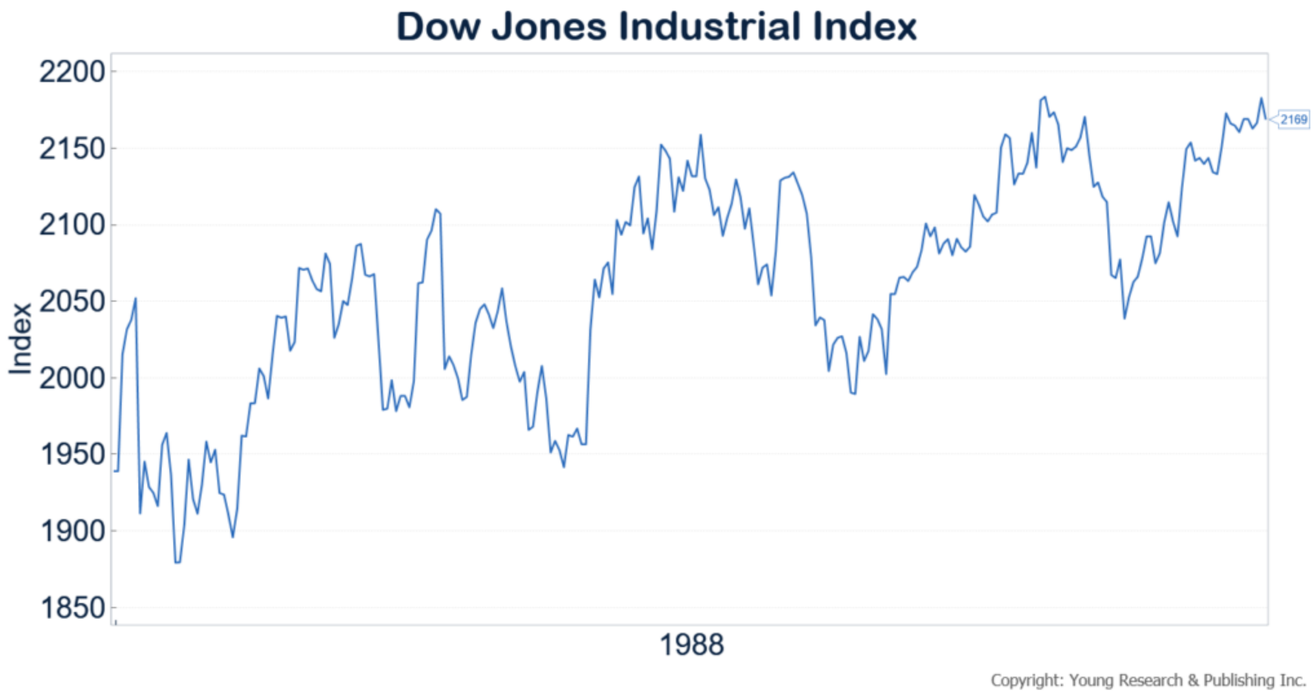
The Dividend Plan

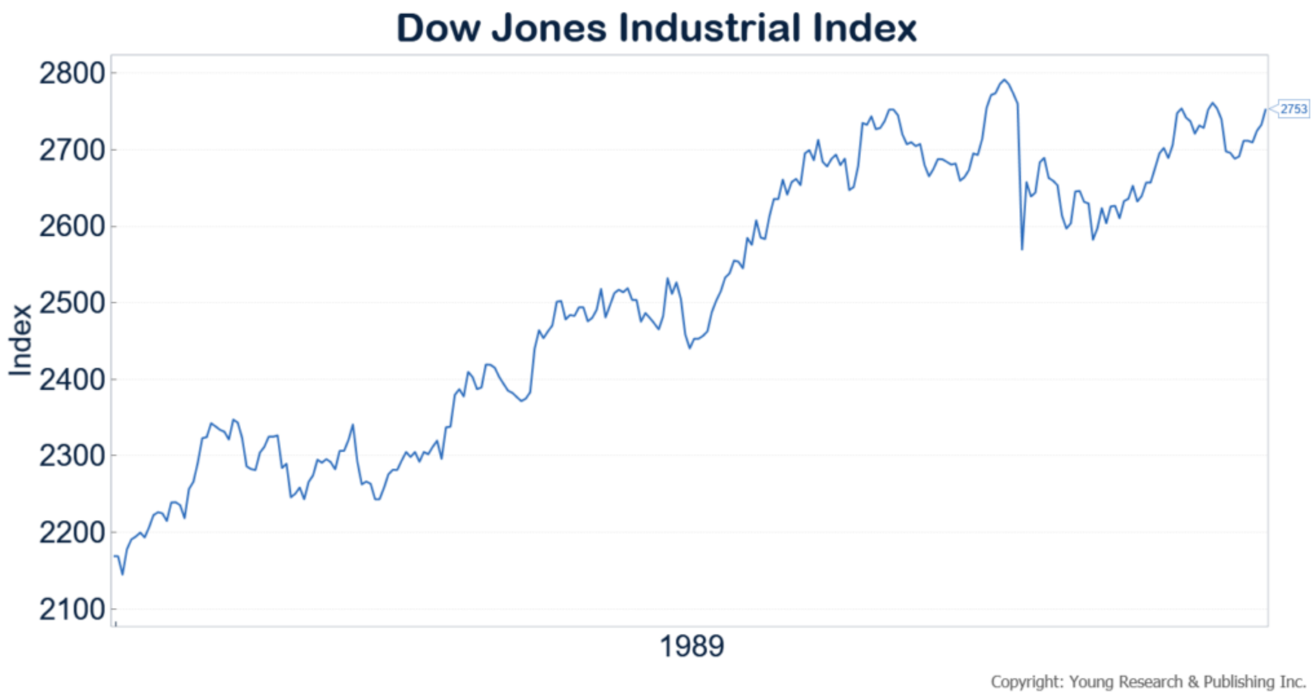
Panic selling during periods of market decline can be devastating to your long-term investment success. In 1987 many investors were frightened out of the market and missed out, not only on the rebound in shares in the following years, but on all the dividends they could have used to buy more shares at depressed prices. I reminded readers of that in February of 2009 when the Great Recession was at its bleakest. Here's what I wrote:

> ## *The 1987 Debacle*
>
> *I remember the crash of September/October 1987 like it was yesterday. Virtually overnight, the Dow collapsed to about*

1700 from 2700. Terrified investors fled the stock market, just as they did in 2008. Well, the next two years were gangbusters and, by fall 1989, the Dow was once again back above 2700. My three charts (below) give you a bird's-eye view of each of the three historic years in American stock market history.







Dividends Paid Based on Shares

Recently, I've been driving home the point that what really counts is the shares you own and the dividends you are paid, not the point-in-time value of your shares. Companies pay your dividends based on the number of shares you own, not on the value of those shares on any given day. Picture it this way: You are sitting at your walnut desk with a stack of beautifully engraved stock certificates in front of you. The certificates are embossed with the number of shares each certificate represents. From your bright, sunny window you clearly can see your mailman as he drops off a pile of envelopes that you know from long experience includes your regular dividends (in many instances higher than in previous quarters). You are comforted by sorting through your stack of engraved certificates and excited to once again begin opening your companies' envelopes, each providing you with a dividend check. It's a pleasant scenario to be certain, as dividends are your financial lifeblood.

> ### *A Collector of Dividends*
>
> *Look around you! No one has taken away any of your treasured certificates. And no one has altered the number of shares embossed on each of the finely engraved certificates. Furthermore, not one of your companies has failed to send along your dividend check as promised. Nor has your mailman failed to deliver your checks to your mailbox. You do not spend a moment wondering at what price you could sell your certificates to someone else, because, as a collector of dividends, you have no earthly reason to sell. This is certainly so if you have crafted from the start a quality list of 32 discerning blue-chip, dividend-paying companies.*
>
> ### *Mystical-Like Compounding*
>
> *Astute investors invest to accumulate wealth over the long term through dividends, dividend increases, and the mystical-like compounding of dividends. This is compared to flighty speculators who have the misguided goal of selling shares to someone else at a higher price.*

Make a plan, focus it on dividends, and stick to it.

Two Strategies to Avoid Outliving Your Money

In July 2007 there was a sense of unease in the markets and I was warning investors to prepare themselves with a low draw on their portfolios. I also gave investors two ways to help prevent outliving their money. Read here:

> *At the start, retired investors and investors saving seriously for retirement (76 million boomers will begin retiring next summer) must answer two basic questions: (1) What is the proper mix of stocks and bonds? (2) How much money can be drawn annually from an investment portfolio? I have used Ibbotson data and examined 20-year rolling time periods from 1926 on. I have concentrated on minimum returns in order to advise a portfolio mix most likely to assure a draw of my advised 4%. The highest minimum return over 20-year rolling periods was achieved with a portfolio mix of 50/50 bonds and stocks. That minimum return was 4.6%. I would treat a 50% fixed-income portfolio component as suitable. And there is no way I'd go over 4% (inflation adjusted) for my annual draw. In fact, if possible, investors of suitable means are advised to cut back to a 3.5% draw (of an initial portfolio). Of course, the two best ways to make sure that you and your spouse do not outlive your money are to (1) work longer, and (2) slash your annual living expenses.*

If you are still working, there is a third way to stretch your retirement portfolio, save more. Saving more today and compounding it for later is the key to a happy retirement. Prudent investors may also consider a 3% draw today.